

Exhibit 1

1 UNITED STATES DISTRICT COURT
2 DISTRICT OF MINNESOTA
3 -----
4 Fair Isaac Corporation,) File No. 16-cv-1054(DTS)
5 a Delaware Corporation,)
6 Plaintiff,)
7 v.)
8 Federal Insurance Company,) Courtroom 14W
9 an Indiana corporation,) Minneapolis, Minnesota
10 and ACE American Insurance) Friday, February 3, 2023
11 Company, a Pennsylvania) 3:00 p.m.
12 Corporation,)
13 Defendants.)
14 -----
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16 BEFORE THE HONORABLE DAVID T. SCHULTZ
17 UNITED STATES DISTRICT COURT MAGISTRATE JUDGE
18
19 (FINAL PRETRIAL CONFERENCE)
20
21
22 Proceedings recorded by mechanical stenography;
23 transcript produced by computer.
24 * * *
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1 PROCEEDINGS
2 IN OPEN COURT
3 THE COURT: We're on the record in the matter of
4 Fair Isaac Corporation versus Federal, et al., Civil
5 Number 16-1054.
6 Counsel for FICO, if you will note all of your
7 appearances, please.
8 MR. HINDERAKER: Your Honor, Allen Hinderaker from
9 Merchant & Gould. And with me from Merchant & Gould is
10 Heather Kliebenstein, Paige Stradley, Michael Erbele and Joe
11 Dubis. And at the end of the table I'm at, Jim Woodward,
12 Vice President/Deputy General Counsel of FICO.
13 THE COURT: All right. Good afternoon to all of
14 you.
15 Counsel for the defendants, if you will note your
16 appearances, please.
17 MR. FLEMING: Good afternoon, Your Honor. Leah
18 Godesky, Anton Metlitsky and Roxana Guidero of the O'Melveny
19 firm. And along with me from the Fredrikson law firm, Leah
20 Janus and Ryan Young. And I'm Terry Fleming.
21 THE COURT: All right. Good afternoon to all of
22 you.
23 So I'll give you a general idea of what I had
24 planned for the afternoon. First of all, thanks for
25 accommodating my change in the schedule. It became apparent

1 APPEARANCES:
2 For Plaintiff: MERCHANT & GOULD P.C.
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* * *

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3 to me that we needed more than an hour for this. So I had
4 to move it to this afternoon. I'm planning that we'll be
5 done by 5:00, but some of that's in your hands.
6 My plan for this is to spend the next hour dealing
7 with the motions in limine, if it takes that long. I don't
8 know that it necessarily has to, but I'll give you each, you
9 know, that half an hour to make your case about each and
10 every one of the motions that you want to.
11 I will tell you I will rule on them from the
12 bench. We'll follow that up with a brief written order on
13 the motions. I have largely made up my mind about them, but
14 that doesn't mean my mind is closed. So if you persuade me
15 otherwise, we'll certainly take it under advisement and rule
16 at a later date, but my hope is to get that all done here.
17 Second, I've got a whole list of things about how
18 we deal with the trial, the process and procedures and some
19 things that I want of all of you, and we'll go through that.
20 And, of course, anything that you want to raise that I
21 don't, by all means, we'll deal with that as well. Okay?
22 All right. Why don't we -- I'm still waiting for
23 the other stuff that I want, but we can go ahead with the
24 motions while we're waiting. Why don't we start --
25 Mr. Hinderaker, we'll take them in order, 1
through 6, as you see fit or whoever is arguing them.
MR. HINDERAKER: Okay. But you would like them in

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1 Now, because Zoltowski can't testify to actual
 2 damages, Bakewell can't testify to the flaws in Zoltowski's
 3 actual damages analysis or to the facts that support his
 4 opinion that Zoltowski's actual damages analysis was flawed.

5 Zoltowski's rebuttal opinions in his rebuttal
 6 report are limited to only those opinions to which Bakewell
 7 and Kursh actually testify at trial, and both of them have
 8 been limited by Judge Wright as well.

9 And to make sure it's also clear, Zoltowski cannot
 10 testify to opinions or matters that are not disclosed in his
 11 expert reports or covered in his deposition. I'm assuming
 12 he was deposed. So to the extent that he has now said
 13 something and that's been put in here and that exceeds the
 14 scope of those matters, he's not going beyond them. Okay?

15 MS. GODESKY: Your Honor, may I ask for a
 16 clarification relating --

17 THE COURT: Please do.

18 MS. GODESKY: So this is not specific to experts.
 19 That guidance was helpful. This relates more to argument
 20 and the boundaries for attorney argument, because --

21 THE COURT: All right.

22 MS. GODESKY: -- I heard Mr. Hinderaker talk about
 23 how this hypothetical negotiation should take into account
 24 how FICO, quote, "would approach this situation." That's
 25 how he phrased it. And then he referenced the fact that the

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1 hypothetical negotiation should take into account the
 2 economic circumstances of this case and defendants' use in
 3 this case.

4 And so I just want to be clear. Mr. Fleming
 5 referenced this line in Judge Wright's opinion where she
 6 said, "The copyright owner's subjective beliefs or
 7 objections to an alleged infringer's conduct are irrelevant
 8 to this hypothetical negotiation." And so I just want to
 9 confirm that that is the law of the case.

10 And to the extent we're characterizing in argument
 11 what this hypothetical negotiation looks like, I think it
 12 would be outside the bounds for counsel to suggest that you
 13 should be taking into account, you know, this situation
 14 where you're dealing with someone you think to be infringing
 15 on your product, you know, the economic circumstances of
 16 this case, where you're accusing someone of breach and
 17 infringement, because that is not the arm's length
 18 hypothetical negotiation that, you know, the jury will be
 19 asked to decide.

20 THE COURT: The hypothetical negotiation, as I
 21 understand it -- first of all, I think the first point you
 22 make, I agree with. How FICO would approach it is not
 23 relevant. How Federal would approach it is not relevant.

24 What is relevant is you have a software provider,
 25 for lack of a better, more accurate description, and an

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1 insurance company, and the insurance company uses it for
 2 these processes and how often it's used and all that stuff,
 3 and this is how this software manufacturer engages in
 4 pricing. And if you assume then you have a hypothetical
 5 willing seller and a hypothetical willing buyer, the jury
 6 has to arrive at a figure. And the economic circumstances,
 7 as I'm using that phrase, would include the extent of use of
 8 the buyer and things like that.

9 And so when you, when you talked about point two
 10 and point three that Mr. Hinderaker raised, my reaction is
 11 those are fair.

12 You then raised another point, which is in the
 13 context of someone who is allegedly infringing or who has
 14 breached the contract. I don't think those are reflective
 15 of market value. Those are subjective.

16 The question is, Given that the parties find
 17 themselves at this moment in time and they are negotiating a
 18 license with these characteristics, what would that
 19 negotiation result in. That's how I understand it.

20 MS. GODESKY: So do I.

21 THE COURT: Okay.

22 MS. GODESKY: Thank you for the clarification.

23 THE COURT: Mr. Hinderaker.

24 MR. HINDERAKER: I think -- well, I can't repeat
 25 what Ms. Godesky said to characterize what I said. I do

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1 agree -- and I am happy to have the guidance. I do agree
 2 that a hypothetical negotiation looks to what a reasonable
 3 licensor and a reasonable licensee would do in the context
 4 of that negotiation, in the context of the circumstances of
 5 the negotiation.

6 I agree that FICO's claim of actual damages is
 7 not, is not -- FICO cannot claim actual damages based upon
 8 its subjective belief of what it wanted, because that's not
 9 the hypothetical negotiation, but FICO can go into a
 10 hypothetical negotiation saying, as licensor, One of the
 11 first steps we do is we look at our pricing methodology and
 12 our guidelines, we figure out what the sizing is and we come
 13 to some sense of what value is and then -- but that's not
 14 the end of the negotiations. And I think that was
 15 Judge Wright's points. That's not a negotiation at that
 16 point, and it's certainly not the end of a negotiation. So
 17 what does the -- what does a willing licensee look to and
 18 what are those factors? And how do they -- what weight do
 19 they have in the circumstances of the negotiation?

20 So if we're -- I have no quarrel if the court's
 21 guidance is that the evidence should be directed to the
 22 factors that come into play in negotiating a license
 23 agreement between a willing licensor and a willing licensee
 24 under the circumstances at the time. If it's something
 25 other than that, then I'm not understanding Judge Wright's

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1 order.

2 THE COURT: The only thing that I think in that
 3 that's -- where there's an ambiguity is what everyone means
 4 by "under the circumstances at the time." And I think that
 5 means how much are they going to use, for how long, what
 6 have they historically used, what are you guys doing. But I
 7 don't think it means, And they just breached our contract or
 8 they just infringed our copyright. Now, it does I think
 9 include, We know that they intend to use it only for the
 10 next three years or whatever. Those circumstances are all
 11 part of the negotiation.

12 MR. HINDERAKER: And so that I'm clear and our
 13 intention, I do not intend that the hypothetical negotiation
 14 is premised on some putative notion that because you're an
 15 infringer, we take a pound of flesh.

16 THE COURT: Right.

17 MR. HINDERAKER: I'm supposed to be in the context
 18 of a willing licensor and a willing licensee.

19 THE COURT: Who, for lack of a better way of
 20 putting it, in essence, have come to the end of the contract
 21 period and now they're negotiating a license going forward.

22 MR. HINDERAKER: For the fair market value of
 23 whatever that period of use is going to be, yes.

24 THE COURT: Right.

25 MR. HINDERAKER: At that stage where the

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1 about how he interpreted the agreement with regard to
 2 whether consent was required after an acquisition or merger
 3 event. And we have three problems with that.

4 First, that is a legal conclusion. Right? To
 5 have any witness up on the stand interpreting a contract is
 6 obviously problematic, and it's even more problematic when
 7 you have someone who is introduced as a lawyer because then
 8 the jury, you know, is going to give them credence.

9 THE COURT: Let me stop you for a second. Okay.
 10 So one of the issues in the case is whether consent was
 11 required.

12 MS. GODESKY: Yes.

13 THE COURT: The jury's going to have to decide
 14 that.

15 MS. GODESKY: Yes.

16 THE COURT: FICO gets to say, We think consent was
 17 required.

18 MS. GODESKY: Yes.

19 THE COURT: Federal gets to say, No, it wasn't.

20 MS. GODESKY: Yes.

21 THE COURT: That's got to come in through
 22 witnesses, right?

23 MS. GODESKY: Yes.

24 THE COURT: Okay. Just not Mr. Carretta.

25 MS. GODESKY: Just not Mr. Carretta.

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1 relationship has been ended.

2 THE COURT: Right. I think that's --
 3 Ms. Godesky, you look concerned.

4 MS. GODESKY: Just I was only concerned with the
 5 last piece of what Mr. Hinderaker said, you know, that
 6 you're taking into account that your relationship has ended?

7 THE COURT: Well, I took that to mean kind of what
 8 I just said, which is, You're at the end of your contract
 9 period, now you got to negotiate a new license.

10 MS. GODESKY: If that's the understanding, I
 11 agree.

12 THE COURT: Okay. All right.

13 MS. GODESKY: Thank you. That was helpful
 14 guidance.

15 THE COURT: Was it? I have no idea anymore.

16 All right. Let's take up the last motion in
 17 limine. Carretta, I believe?

18 MS. GODESKY: Yes, Your Honor. So FICO -- this is
 19 Mr. Thomas Carretta, in-house lawyer at FICO, and FICO
 20 intends to call him to testify selectively about his advice
 21 and work product.

22 He was approached by the business team at FICO
 23 after they learned of the ACE acquisition and asked for
 24 legal advice about the license agreement. And, in
 25 particular, they want to elicit testimony from Mr. Carretta

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1 And that's what distinguishes Mr. Carretta from
 2 the witnesses whose testimony we've designated and FICO
 3 pointed out in their opposition brief, because the evidence
 4 that is probative to how Section 8 should be interpreted is
 5 the words on the page, testimony from people who were
 6 involved in the negotiating and the drafting of the deal,
 7 and then the course of conduct of people who were operating
 8 for years under that agreement.

9 And so, for example, FICO pointed out that we've
 10 designated some testimony from Mr. Schreiber and Mr. Sawyer,
 11 the two business folks at FICO who were, you know, course of
 12 dealing with Federal for years under this contract. And so,
 13 yes, their interpretation of the contract and the meaning of
 14 its terms is relevant because it's reflected in their course
 15 of dealing, their unobjected-to course of dealing for many
 16 years. Mr. Carretta is someone who is coming on the scene
 17 after the fact and interpreting the contract.

18 And, you know, FICO says, Oh, we have to call
 19 Mr. Carretta because you, Federal, are accusing us of
 20 terminating the contract without basis, and we have to call
 21 Mr. Carretta so he can explain our basis. But whether the
 22 contract was terminated without basis depends again on the
 23 jury's evaluation of the extrinsic evidence at the time that
 24 the deal was negotiated and the course of dealing that
 25 followed, unless they were going to invoke some sort of

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1 contract for years think? But absent an advice-of-counsel
2 argument, we don't get to put our lawyer up there basically
3 as a mouthpiece for our position in the litigation.

4 THE COURT: So let's say they hew to the line you
5 are suggesting. I'm assuming I don't hear a question coming
6 from Federal's counsel, Well, why did you say that.

7 MS. GODESKY: Absolutely not.

8 THE COURT: Right? Because you're not going to
9 make them invoke the privilege in front of the jury.

10 MS. GODESKY: Correct.

11 THE COURT: Okay. Okay.

12 MS. GODESKY: Thank you.

13 THE COURT: Thank you.

14 That one I'll take under advisement. I will make
15 the observation, not that, again, to state the blindingly
16 obvious, it's an area where not only I, but you have to
17 proceed very carefully. Okay? Everyone.

18 All right. Here's where we are. We are woefully
19 behind time. I'm going to let the court reporter go. I
20 have a number of things to cover. If there's -- if we need
21 to make a record of anything, we'll do it by --

22 Do we have a recording device up here? We'll
23 figure it out.

24 Okay. We do -- well, yeah, anyway, I want to let
25 her go, but I have a whole long agenda.

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1 Are people able to stay? Okay.

2 MS. GODESKY: Yes.

3 THE COURT: Okay. Let's take a five-minute break.

4 (Court adjourned at 5:13 p.m., 02-03-2023.)

5 * * *

6 I, Renee A. Rogge, certify that the foregoing is a
7 correct transcript from the record of proceedings in the
8 above-entitled matter.

9 Certified by: /s/Renee A. Rogge
10 Renee A. Rogge, RMR-CRR

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